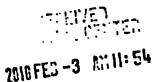


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February 3, 2010

### BY HAND

Ms. Thomasenia P. Duncan General Counsel Federal Election Commission 999 E Street, NW Washington, DC 20463

Re: MUR 6242 (Clear Channel Communications (KFYI))

Dear Ms. Duncan:

This office represents Clear Channel Communications, Inc. (KFYI) in the above-captioned Matter Under Review ("MUR"). This letter responds to the Complaint received by the Federal Election Commission ("FEC" or "Commission") on December 17, 2009, and the Supplement to the Complaint ("Supplement") received on December 29, 2009. The Complaint and Supplement allege that Clear Channel Communications, Inc. (KFYI) made a prohibited in-kind corporate contribution to J.D. Hayworth by producing and airing a radio talk show hosted by Mr. Hayworth.

For the reasons stated below, the Commission should find no reason to believe that Clear Channel Communications, Inc. (KFYI) violated the Federal Election Campaign Act of 1971, as amended ("Act" or "FECA").

#### FACTS

Clear Channel Communications, Inc. is a media and entertainment corporation specializing in radio programming and outdoor advertising. It is not owned or controlled by a candidate or political party. KFYI is a news/talk AM radio station owned by Clear Channel Communications, Inc. that serves the Phoenix, Arizona metropolitan area. KFYI broadcasts nationally syndicated programming such as The Rush Limbaugh Show and The Sean Hannity Show, but also features local programming like The "Nearly Famous" Barry Young Show and The Michael Broomhead Show. KFYI's local programming also included The J.D. Hayworth Show.

The J.D. Hayworth Show was on the air for almost three consecutive years. Former Congressman J.D. Hayworth was the host of the show. Prior to serving in the

A complete programming list is available at http://www.kfyi.com/pages/programming.html.



United States House of Representatives, Mr. Hayworth spent his professional career as a broadcaster. Shortly after Mr. Hayworth left Congress in 2007, he resumed his broadcasting career as a radio show host on KFYI. On January 22, 2009, Mr. Hayworth announced late that day that he would no longer host The J.D. Hayworth Show in order to challenge Senator John McCain for the Republican Senate nomination. See J.D. Hayworth: I'll Run Against John McCain, Associated Press (Jan. 22, 2010).

The J.D. Hayworth Show aired weekdays from 4pm to 7pm. Mr. Hayworth described his radio subject matter as "newstalk' – whatever happens in the headlines, prompting commentary from his unique perspective" as a former candidate and Member of Congress. See J.D. Hayworth, http://www.jdhayworth.com (attached). Topics ranged "from immigration reform to pro-growth economics to the ins-and-outs of political campaigns." Id., see, e.g., Supp. Compl. at 3 (political campaigns), 4 (healthcare), 5-6 (political campaigns), 12 (taxes), 18 (immigration), 19 (healthcare, cap and trade, taxes, enemy combatants), 20 (immigration, political campaigns), 26 (healthcare), 33-34 (economy, political campaigns, global warming), 36 (enemy combatants), 39-40 (healthcare), 41-42 (healthcare, enemy combatants, cap and trade, taxes), 47 (healthcare), 48 (immigration, economy), 49 (healthcare).

Like other local commentators, Mr. Hayworth discussed these issues in the context of his audience's elected officials who, in this case, included Senator McCain. Mr. Hayworth's commentary included Senator McCain's positions on these issues as well as the state of his on-going reelection campaign.

A November, 2009, Rasmussen poll of likely 2010 Republican Primary voters in Arizona asked participants about preferences for U.S. Senator. According to the poll, Mr. Hayworth and Senator McCain were in a virtual tie for the Republican Senate nomination. See Rasmussen Reports, 2010 Arizona GOP Primary: McCain 45%, Hayworth 43% (Nov. 20, 2009) available at http://www.rasmussenreports.com/public\_content/politics/elections2/election\_2010/election\_2010\_senate\_elections/arizona/2010\_arizona\_gop\_primary\_mccain\_45\_hayworth\_43 (last visited January 23, 2010); Supp. Compl. at 45. The poll, which was not requested or commissioned by KFYI or Mr. Hayworth, was noted by other media outlets, Supp. Compl. at 45, and inevitably sparked discussion on The J.D. Hayworth Show. Guests on the show and callers discussed a possible Hayworth candidacy and, at



times, urged Mr. Hayworth to run for Senate. See e.g., Supp. Compl. at 22, 24, 25, 26, 27-28, 31, 32, 33, 34-35, 42, 43, 44, 45-49.

Throughout this discussion, Mr. Hayworth took great pains to clearly and unequivocally state that he was not a candidate to challenge Senator McCain for federal office. See, e.g., Supp. Compl. at 9 ("I am not a bonafide [sic] candidate"), 11 ("I am not an announced candidate for public office"), 13 ("I am not a candidate for anything. I am not a bonafide [sic] candidate."), 15 ("I have not made any formal announcement about running for the Senate"), 24 ("Dwayne: Hey Mr. Senator How are you? JD: Just JD is fine. And if I ever get back into politics, I don't mind being called JD."), 27-28 ("if we transition, if we decide to run a formal campaign"), 32 ("Now if a campaign does develop, ... and again we do not know, we don't know if it is going to come to pass or not"), 34 ("I am not announced for anything"), 41 ("that's a decision we are going to have to make"), 45 ("I'm not running").

Senator McCain himself responded to the Rasmussen poll by appearing on KFYI's The "Nearly Famous" Barry Young Show and The Michael Broomhead Show eight times and purchasing a significant amount of advertising time to air the following spot:

Woman's voice: "John McCain's running for reelection. Well, I hope so. Why wouldn't he? It's not
like our country's on the right track. It's a mess.
Congress spending itself into oblivion. We need
McCain. Standing up to the big shots. Slashing
spending. Saying what no one else has the nerve to
say. But J.D. Hayworth. Hmm. That's not what
Arizona wants. Oh, he sounds conservative on the
radio, but J.D. was one of the biggest spenders in
Congress. In 2005, they passed a bill with 6,500 pork
barrel earmarks worth more than 24 billion dollars.
J.D. voted for every one. He's the wrong direction for
Arizona. McCain's the right direction. Character
matters."

McCain: "I'm John Mc Cain and I approved this message. Paid for by Friends of John McCain."



KFYI did not incur additional production or broadcast costs in connection with The J.D. Hayworth Show.<sup>2</sup> KFYI maintained the show's format and structure during this time. To the extent Mr. Hayworth engaged in any other activities as he decided whether to run for Senate, see Supp. Compl. at 1 n.1, they were not paid for by Clear Channel Communications, Inc. (KFYI) or conducted on time that Mr. Hayworth was contractually required to provide to Clear Channel Communications. Inc. (KFYI) to produce and air The J.D. Hayworth Show.

## THE ACT AND REGULATIONS

Under the Act, a "candidate" is "an individual who seeks nomination for election, or election, to Federal office, and for purposes of this paragraph, an individual shall be deemed to seek nomination for election, or election—

- (A) if such individual has received contributions aggregating in excess of \$5,000 or has made expenditures aggregating in excess of \$5,000; or
- (B) if such individual has given his or her consent to another person to receive contributions or make expenditures on behalf of such individual and if such person has received such contributions aggregating in excess of \$5,000 or has made such expenditures aggregating in excess of \$5,000."

2 U.S.C. § 431(2); see also 11 C.F.R. § 100.3.

"Contributions" and "expenditures" are defined as, inter alia, "anything of value made by any person for the purpose of influencing any election for federal office." 2 U.S.C. § 431(8)(A)(i), (9)(A)(i); see also 11 C.F.R. §§ 100.52, 100.111.

Corporations are prohibited from making "contributions" to and "expenditures" on behalf of a "candidate" for federal office. 2 U.S.C. § 441b; see also 11 C.F.R. § 114.2.

KFY1 did host an informal online poll on its website that was conducted by The Arizona Guardian, see Compl. at 3 n.11, but the costs of doing so were negligible.



"Contributions" and "expenditures" do not include "costs incurred in carrying a news story, commentary, or editorial by any broadcasting station (including a cable television operator, programmer or producer), Web site, newspaper, magazine, or other periodical publication, including any Internet or electronic publication ... unless the facility is owned or controlled by any political party, political committee, or candidate." 11 C.F.R. §§ 100.73, 100.132 (hereinafter "the press exception").

"Contributions" and "expenditures" also do not include funds received or payments made "solely for the purpose of determining whether an individual should become a candidate." *Id.* §§ 100.72, 100.131.

Examples of activities permissible under this exemption if they are conducted to determine whether an individual should become a candidate include, but are not limited to, conducting a poll, telephone calls, and travel. Only funds permissible under the Act may be used for such activities....

- (b) Exemption not applicable to individuals who have decided to become candidates. This exemption does not apply to funds received for activities indicating that an individual has decided to become a candidate for a particular office or for activities relevant to conducting a campaign. Examples of activities that indicate that an individual has decided to become a candidate include, but are not limited to:
- (1) The individual uses general public political advertising to publicize his or her intention to campaign for Federal office.
- (2) The individual raises funds in excess of what could reasonably be expected to be used for exploratory activities or undertakes activities designed to amass campaign funds that would be spent after he or she becomes a candidate.
- (3) The individual makes or authorizes written or oral statements that refer to him or her as a candidate for a particular office.



- (4) The individual conducts activities in close proximity to the election or over a protracted period of time.
- (5) The individual has taken action to qualify for the ballot under State law.

Id. (hereinafter "the testing the waters exception").

Lastly, "expenditures made by any person in cooperation, consultation, or concert, with, or at the request or suggestion of, a candidate, his authorized political committees, or their agents, shall be considered to be a contribution to such candidate." 2 U.S.C. § 441a(7)(B)(i); see also 11 C.F.R. §§ 109.20, 109.21, 109.22, 109.23 (hereinafter "the coordination restrictions").

## THE COMPLAINT, SUPPLEMENT, AND SIMILAR FEC COMPLAINTS

The primary allegation in the Complaint is that the costs incurred by Clear Channel Communications, Inc. (KFYI) to produce and air The J.D. Hayworth Show are subject to the coordination restrictions and are, therefore, prohibited corporate contributions. Compl. at 1-3. Anticipating the response that the coordination restrictions do not apply to The J.D. Hayworth Show by virtue of the press exception,<sup>3</sup> the Complaint claims that because "Mr. Hayworth controls all content and messages aired on KFYI during his regular show," the KFYI "facilities [are] controlled by a political candidate." *Id.* at 1-2. Without citing any legal authority, the Complaint concludes that this results in denial of the press exception. *Id.* 

In making its argument, the Complaint concedes that Mr. Hayworth was not a "candidate" as defined above, but allegedly "testing the waters." Compl. at 1-2. The Complaint does not address the fact that the coordination restrictions only apply to activities that are coordinated with a "candidate" and that Mr. Hayworth was not a candidate while he was hosting The J.D. Hayworth Show.

To the extent the Complaint recognizes this deficiency at all, it does so by incorporating a fall-back claim alleging a violation of the testing the waters

The coordination restrictions only apply to "contributions" and "expenditures." Activities that qualify for the press exception are exempt from the definitions of "contributions" and "expenditures."



exception which states that "only funds permissible under the Act," e.g., non-corporate funds, "may be used for such activities." *Id.* The Complaint does not address the fact that the costs were incurred by Clear Channel Communications, Inc. (KFYI) for business, not campaign, purposes.

The Supplement does little more than to note a blog posting stating that Mr. Hayworth traveled to Washington, D.C. to meet with supporters and to attend a holiday party hosted by the conservative advocacy group Citizens United. Supp. Compl. at 1.<sup>4</sup> The Supplement also includes "rough transcripts" of The J.D. Hayworth Show on November 20 and 23, 2009, and December 10, 11, 14, 15, and 16, 2009, and states that they show that "Mr. Hayworth spends nearly his entire allotted air time on these days stoking support for his impending U.S. Senate campaign." *Id.* However, the "rough transcripts" are replete with gaps and do not provide an accurate measure of air time. <sup>5</sup>

Four years ago in MUR 5555, the Commission found no reason to believe that a similar complaint alleged a violation of the Act. In that matter, a radio show host discussed on the air whether he should become a candidate for federal office, the radio station posted an online survey of whether he should become a candidate, the host announced his candidacy on a different show broadcast by the station and continued to host his own show for another two months. See First General Counsel's Report at 2-3 (Jan. 10, 2006) ("MUR 5555 First General Counsel's Report"). Ultimately, the Commission concluded that these activities qualified for the press exception and dismissed the case, though there was some disagreement as to how the press exception should have been applied. See Statement of Reasons of

As previously noted, Clear Channel Communications, Inc. (KFYI) did not incur any additional costs in connection with The J.D. Hayworth Show during this time. Mr. Hayworth took the trip on personal time and Clear Channel Communications, Inc. (KFYI) did not pay the expenses.

See, e.g., Supp. Compl. at 3 ("30 minutes later...," "A few minutes later ..."), 5 ("A few minutes later ..."), 8 ("A few minutes later ..."), 11 ("A few minutes later ..."), 12 ("A minute later ..."), 14 ("A few minutes later ..."), 15 ("A few minutes later ..."), 20 ("An hour later ..."), 23 ("A few minutes later ..."), 24 ("A few minutes later ..."), 26 ("A few minutes later ..."), 27 ("A few minutes later ..."), 28 ("A few minutes later ..." two times), 30 ("A minute later "A few minutes later"), 36 ("A few minutes later ..." three times), 37 ("A few minutes later ..."), 39 ("A few minutes later ..." three times), 44 ("A few minutes later ..." three times), 48 ("A few minutes later ..." three times), 49 ("A few minutes later (discussing the health care bill...").



Chairman Toner and Commissioners Mason and von Spakovsky (Mar. 17, 2006) ("MUR 5555 SOR").

Quoting the language of the press exception, Chairman Toner and Commissioners Mason and von Spakovsky stated that:

[A]ll of the allegations (1) involve a "news story, commentary, or editorial" (2) distributed through a radio station's facilities, and (3) the facilities are not "owned or controlled by any political party, political committee, or candidate ...." Once those facts were established, this should have ended the investigation of this matter."

Id. at 2-3. The Chairman and Commissioners disapproved of the additional analysis contained in the First General Counsel's Report of whether the content of the candidate's show changed once the host became a candidate and whether, therefore, the station was engaged in a legitimate press function. Id. at 5; MUR 5555 First General Counsel's Report at 5.

#### **DISCUSSION**

The Complaint and Supplement fail to allege a violation of the Act for three reasons. First, The J.D. Hayworth Show qualified for the press exception and, therefore, was not a prohibited corporate contribution as a result of the coordination restrictions. Second, the coordination restrictions only apply to candidates, and Mr. Hayworth was not a candidate while he was hosting The J.D. Hayworth Show. Third, the costs incurred by Clear Channel Communications, Inc. (KFYI) to produce and broadcast The J.D. Hayworth Show were not subject to the restrictions of the testing the waters exception.

1. The press exception exempts The J.D. Hayworth Show from the coordination restrictions.

The J.D. Hayworth Show satisfied all of the criteria of the press exception. See MUR 5555 SOR at 2. First, the content involved news stories, commentary, and editorials about current events in government, politics, and campaigns. Second, The J.D. Hayworth Show was distributed through the radio station facilities of KFYI. Third, KFYI is not owned or controlled by Mr. Hayworth. The Complaint disputes



this last point by claiming that a radio show host has control over radio station facilities. This, of course, is not true. KFYI management controls the KFYI facilities. Mr. Hayworth was simply contracted talent. Furthermore, the Commission has already rejected this argument. See MUR 5555 First General Counsel's Report at 5.

For purposes of the additional analysis in the MUR 5555 First General Counsel's Report, the content of The J.D. Hayworth Show also did not change over the course of time Mr. Hayworth was considering his potential candidacy. The J.D. Hayworth Show maintained its "newstalk" format and campaigns were not a new subject matter for it. Furthermore, talk of Mr. Hayworth's own potential candidacy only occupied approximately ten percent of The J.D. Hayworth Show from the November 20, 2009, date of the Rasmussen poll report until Mr. Hayworth's January 22, 2010, announcement that he would be stepping down as host of The J.D. Hayworth Show.<sup>6</sup>

The costs incurred by Clear Channel Communications, Inc. (KFYI) for The J.D. Hayworth Show were not a prohibited corporate contribution by virtue of the coordination restrictions because the show qualified for the press exception.<sup>7</sup>

2. The coordination restrictions only apply to activities coordinated with a "candidate" and Mr. Hayworth was not a candidate while hosting The J.D. Hayworth Show.

Because the coordination restrictions only apply to candidates, and Mr. Hayworth maintained throughout his time hosting The J.D. Hayworth Show that he was not a candidate, the coordination allegations of the Complaint and Supplement fail for this reason too. The Complaint and Supplement concede this point by alleging only that Mr. Hayworth was "testing the waters" of a possible candidacy, not that he was a "candidate" as defined by the Act.

The Supplement claims that on November 20 and 23, 2009, and December 10, 11, 14, 15, and 16, 2009, Mr. Hayworth spent "nearly his entire allotted air time on these dates stoking support for his impending U.S. Senate campaign." Supp. Compl. at 1. While this claim is dubious given the incomplete nature of the "rough transcripts" provided in the Supplement, it nonetheless applies to only 7 days in the two months prior to Mr. Hayworth's departure from the show.

The informal online poll hosted on the KFYI website also would have qualified for the press exception. See MUR 5555 First General Counsel's Report at 8-9.



3. The production and broadcasting costs of The J.D. Hayworth Show were not incurred to test the waters of Mr. Hayworth's potential Senate campaign, but to advance the business of Clear Channel Communications, Inc. (KFYI).

The testing the waters exception applies to the receipt and disbursement of funds "solely for the purpose of determining whether an individual should become a candidate." 11 C.F.R. §§ 100.72, 100.131 (emphasis added). Corporate funds may not be used for this purpose. *Id.* 

1

Clear Channel Communications, Inc. (KFYI) did not produce and broadcast The J.D. Hayworth Show "for the purpose of determining whether" Mr. Hayworth should become a candidate for federal office. Clear Channel Communications, Inc. is a for-profit corporation that, through KFYI, produced and broadcasted The J.D. Hayworth Show "solely" for the purpose of attracting advertising and other sources of revenue. Accordingly, the Complaint and the Supplement erroneously conclude that the Clear Channel Communications, Inc. (KFYI) costs for The J.D. Hayworth Show violated the prohibition on corporate funding contained in the testing the waters exception.

#### CONCLUSION

For the foregoing reasons, the allegations in the Complaint and Supplement do not describe a violation of the law and the Commission should find no reason to believe that Clear Channel Communications, Inc. (KFYI) violated the Act.

Sincerely.

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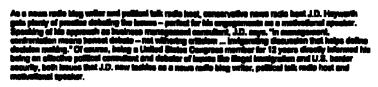
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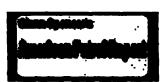
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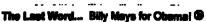
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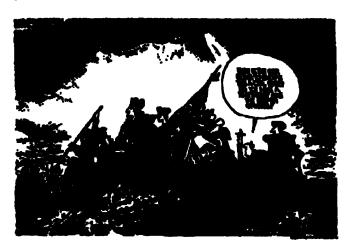
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